

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	File No. ENF-00-TC-002
Sprint Communications Company, LP)	NAL/Acct. No. X3217-003
)	

ORDER

Adopted: March 24, 2000;

Released: March 27, 2000

By the Chief, Enforcement Bureau:

1. In this Order, we adopt a Consent Decree terminating an investigation regarding unauthorized primary interexchange carrier (PIC) conversions by Sprint Communications Company, LP (Sprint).

2. On December 8, 1999, Sprint voluntarily disclosed to the Commission numerous unauthorized PIC changes that it had discovered while investigating an informal complaint. Sprint conducted an investigation of its third party verification systems and discovered that several employees of King TeleServices, Sprint's telemarketing agent, had submitted fraudulent service orders by gaining unauthorized access to certain areas of Sprint's computer system and using fictitious verification access codes.

3. The Bureau and Sprint have negotiated the terms of a Consent Decree that would resolve this matter and the staff's investigation. A copy of the Consent Decree is attached and is incorporated by reference. As detailed in the Consent Decree, Sprint has taken and/or agreed to take various actions to rectify the matter and prevent a recurrence, including, but not limited to: termination of all persons involved in the unauthorized PIC conversions; increasing oversight of Sprint's third-party verification systems; crediting and otherwise compensating all affected consumers; returning affected consumers to their primary carriers of choice; and strengthening its slamming compliance policies.

4. We have reviewed the terms of the Consent Decree and evaluated the facts before us. In light of Sprint's commitment to be bound by various principles regarding its verification mechanisms and compensation procedures for its employees and agents, as well as certain other pro-consumer steps and commitments, we believe that the public interest would be served by approving the Consent Decree and terminating the investigation.

5. Based on the record before us, and in the absence of material new evidence relating to this matter, we conclude that there are no substantial and material questions of fact as to whether Sprint possesses the basic qualifications, including its character qualifications, to hold or obtain any FCC licenses or authorizations.

6. Accordingly, IT IS ORDERED, pursuant to section 4(i) of the Communications Act, 47 U.S.C. § 154(i), and the authority delegated in sections 0.111 and 0.311 of the Commission's rules, 47 C.F.R. §§ 0.111, 0.311, that the attached Consent Decree IS ADOPTED.

7. IT IS FURTHER ORDERED that the above-captioned case as well as the Commission staff inquiry into the matter described herein ARE TERMINATED.

FEDERAL COMMUNICATIONS COMMISSION

David H. Solomon
Chief, Enforcement Bureau

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CONSENT DECREE

8. The Enforcement Bureau of the Federal Communications Commission (“FCC” or “Commission”) and Sprint Communications Company, LP (“Sprint”) hereby enter into a Consent Decree terminating an informal Bureau investigation into possible violations of section 258 of the Communications Act and the Commission’s rules relating to unauthorized primary interexchange carrier (“PIC”) conversions.¹ Sprint is a common carrier that provides interstate interexchange telecommunications services pursuant to tariffs on file with the Commission. Sprint voluntarily brought this matter to the Bureau’s attention.

9. For the purposes of this Consent Decree the following definitions shall apply:

- a) “Commission” or “FCC” means the Federal Communications Commission;
- b) “Bureau” means the Enforcement Bureau of the Federal Communications Commission;
- c) “Division” means the Telecommunications Consumers Division of the Enforcement Bureau;
- d) “Sprint ” means Sprint Communications Company, LP, its successors and assigns;
- e) “Parties” means Sprint and the Commission or Bureau;
- f) “Adopting Order” means an Order of the Bureau adopting the terms and conditions of this Consent Decree;
- g) “Effective Date” means the date on which the Commission adopts the Adopting Order.
- h) “PIC Change” is an order or request transmitted by an interexchange carrier to a local exchange carrier (“LEC”) requesting a change of a customer’s primary interexchange and/or intraLATA carrier (“PIC”);
- i) “Informal Complaint” or “Customer Complaint” means a complaint filed under 47 C.F.R. § 1.716;
- j) “Formal Complaint” means a complaint filed under 47 U.S.C. § 208;
- k) “Telemarketing agent” means a person or entity, or employee thereof, who places telemarketing calls to consumers on behalf of Sprint for the purpose of inducing the

¹ See 47 C.F.R. Section 64.1100.

consumer to change his or her PIC to Sprint.

10. The Parties agree that the provisions of this Consent Decree shall be subject to final approval by the Bureau by incorporation of such provisions by reference in an Adopting Order of the Bureau.

11. The Parties agree that this Consent Decree shall become effective on the date on which the Bureau releases the Adopting Order. Upon release, the Adopting Order and this Consent Decree shall have the same force and effect as any other Order of the Commission and any violation of the terms of this Consent Decree shall constitute a violation of a Commission Order entitling the Commission to exercise any and all rights and to seek any and all remedies authorized by law for the enforcement of a Commission Order.

12. Sprint admits the jurisdiction of the Commission for purposes of this Consent Decree and any Adopting Order.

13. Sprint waives any rights that it may have to further procedural steps and any rights it may have to seek judicial review or otherwise challenge or contest the validity of the Adopting Order or this Consent Decree.

14. Sprint waives any rights it may have under any provision of the Equal Access to Justice Act, 5 U.S.C. § 504.

Statement of Facts

15. On December 8, 1999, Sprint voluntarily disclosed to the Commission numerous unauthorized PIC-changes that it had discovered while investigating an informal complaint. The complaint states that Ms. Eek's long distance service was switched to Sprint without authorization. In investigating this complaint, Sprint discovered that the verification information that had purportedly been obtained to authenticate the order (a birth date) was incorrect; that the verification code associated with this order was fraudulent; and that the order had in fact not been verified by an independent third party representative as is required by Commission regulations and by internal Sprint policies and procedures. Sprint launched an investigation to determine how a falsely verified order was entered into its system.

16. Sprint employs a system of third party verification ("TPV") to authenticate sales orders generated through its telemarketing efforts. Under this system, the telemarketing representative transfers a customer who has agreed to switch his or her long distance service to Sprint to an independent third-party verifier ("verifier") who is located at a separate physical location from the telemarketing representative, and who has no financial stake in the transaction. The verifier asks the prospective customer a series of questions designed to confirm the sales information, the customer's authority to request the carrier selection, and the customer's informed agreement to obtain long distance service from Sprint. The verifier also obtains some unique information to authenticate the sale (such as a birth date, social security number, or

mother's maiden name), and adds his or her verification identification code to the order to indicate that the order has gone through the appropriate TPV process.

17. Sprint represents that while its internal investigation to determine the root causes that led to the Eek complaint was underway, a Sprint systems manager received a call from one of Sprint's verifiers, who informed the Sprint manager that his employees' access codes had been deactivated. Sprint's investigation into this matter revealed that the TPV access codes had been deactivated by a user identification code assigned to King TeleServices, an authorized Sprint telemarketing agent. Because King TeleServices had authority only to perform sales functions (and under no circumstances verification functions), Sprint suspected a systems breach. This suspicion triggered an extensive audit by Sprint of sales orders submitted by King TeleServices from January to November 1999.

18. Sprint represents that its audit revealed numerous unauthorized PIC conversions, and that several King TeleServices representatives had submitted fraudulent service orders that had not been subject to the TPV process. Sprint's investigation also identified an employee in King TeleServices's Information Systems department who had "hacked" into areas of Sprint's computer system in possible violation of federal and state law. By breaching Sprint's system security measures, this individual was able to create new, unauthorized verification access codes, as well as to switch authorized King TeleServices sales access codes to unauthorized verification access codes. These fraudulent codes enabled certain other King TeleServices employees also to breach Sprint's computer password protections and to alter sales orders to make them appear to have been verified by an independent verifier. Neither this nor any other King TeleServices employee had any authority to engage in any functions relating to verification of sales orders. One of the fraudulent sales orders was for Ms. Eek. Sprint represents that it promptly deactivated every fraudulent access code discovered; took steps to suppress billing on all lines switched to the Sprint network without authorization as a result of this unlawful activity on the part of several King TeleServices employees who were directly involved in the unauthorized conversions; demanded and obtained the termination of King TeleServices personnel found to have been directly involved in the unauthorized conversions; demanded and obtained the removal from the Sprint account of several King TeleServices employees with supervisory responsibility over the terminated personnel; curtailed its business relationship with King TeleServices; and is in the process of pressing criminal charges against the individual believed to be primarily responsible for the unlawful computer tampering, but not exclusively responsible for the unauthorized PIC conversions.

19. Sprint represents that it promptly and voluntarily implemented a number of remedial actions designed to compensate the numerous end users who were switched to the Sprint network without authorization as a result of the unlawful actions, and to reduce the potential for a breach of Sprint's computer systems in the future. These actions include the following:

- a) Make all customers whole: Sprint identified all end users who had been switched without authorization by the aforementioned unlawful conduct; took steps to suppress billing for calls placed from the affected lines and to credit in full any payments already made; and established a specially trained task force to contact every affected consumer. This task force made up to five attempts to contact each consumer by telephone over a 21-day period; those

consumers whom Sprint was unable to reach by telephone were sent written notification apprising them of the situation and requesting that they contact Sprint at a specified toll free number to correct the situation. For those consumers who did not respond to the written notification, Sprint contacted the local exchange carrier to request that the consumer be switched back to his or her previous long distance carrier. All PIC-change charges associated with the switch of the consumer back to his or her previous long distance carrier were paid by Sprint.

- b) Audit of agent operations: Sprint performed an audit of all of its outside agents' access to its systems (including its third-party verifications systems); substantially reduced the number of access codes provided to each agent; and instituted a system of daily monitoring of agent sign-on activity.

20. During its December 8, 1999 meeting with the Bureau, at which it voluntarily disclosed the above matter, Sprint described the corrective actions taken and the schedule to be followed with respect to further corrective actions. Sprint made several follow-up visits and calls to the Bureau to update the Commission staff on the course of the investigation and the status of the corrective actions taken.

Terms of Settlement

21. In consideration for the termination by the Bureau of its investigation into whether Sprint has violated the Communications Act and/or Commission rules or orders, and in accordance with the terms of this Consent Decree, Sprint agrees to the following terms.

22. This Consent Decree is for settlement purposes, and Sprint does not admit any alleged violation or liability for the specific acts described in the Eek complaint or in any other informal complaints received by the Commission on or before the effective date of this Consent Decree or with respect to the customers whose PICs were improperly changed by King TeleServices employees from January to November 1999.

23. Sprint shall make a voluntary contribution to the United States Treasury in the total amount of \$250,000 (two hundred fifty thousand dollars). This amount shall be paid within 30 days of the date the order adopting this Consent Decree becomes final. Such contribution shall be made, without further protest or recourse, by certified check, cashiers check, or money order drawn to the order of the Federal Communications Commission, and shall be mailed to the Federal Communications Commission, P.O. Box 73482, Chicago, Illinois 60673-7482.

24. Sprint agrees that it will send each consumer whose line was switched to Sprint as a result of the unlawful actions described above (with the exception of the few customers for whom Sprint does not have a valid mailing address) a \$10.00 prepaid Sprint calling card. Sprint is giving these prepaid cards as an additional gesture of goodwill and apology. It will be made clear that acceptance and use of this prepaid card in no way constitutes a request by the recipient for Sprint direct-dial service. Sprint shall not include marketing materials in this mailing.

25. Sprint agrees that it shall not knowingly submit to any LEC any PIC-change request unless Sprint has complied with all Commission rules and orders concerning PIC changes, in effect or as they may be hereafter modified or amended. In the event that Sprint discovers that its verification systems have been compromised by its employees or its authorized agents, resulting in the unauthorized conversion of a consumer's line to Sprint, Sprint agrees to notify such consumer verbally of the unauthorized conversion; if after two attempts to reach the consumer, Sprint is unable to speak to the consumer, Sprint will notify the consumer in writing of the unauthorized conversion. No attempt will be made by Sprint personnel to market Sprint services to the consumer in these notification efforts. Sprint shall take any and all necessary and reasonable steps to insure that the customer is promptly returned to his or her authorized carrier with the least possible inconvenience to the customer, including, if necessary, contacting the authorized carrier and/or the LEC. Sprint further agrees to credit such consumer in full for all Sprint charges incurred between the date on which the consumer was switched to the Sprint network until the consumer is switched back if desired. Sprint further agrees to reimburse the consumer for any switching fees assessed by the local exchange carrier as a result of the unauthorized conversion and return to the preferred carrier.

26. Sprint agrees to subject its employees and telemarketing agents to the following oversight mechanisms to help ensure compliance with PIC-change rules :

- a) Sprint shall require each employee and telemarketing representative both at the time of hiring and at least twice a year thereafter to receive formal training on the Commission's rules regarding PIC-change requests. Should those rules and orders change, Sprint will ensure that its telemarketing agents are promptly apprised of such changes and that the training material is updated to reflect the new rules .
- b) Sprint shall distribute to each of its telemarketing agents a copy of its "Sales Ethics Policy," a copy of which is attached hereto, on a quarterly basis. This policy specifies, among other things, that Sprint employees and agents will "assign or change a customer's interLATA and/or intraLATA presubscribed interexchange carrier(s) (PIC) only upon the customer's explicit direction and authorization to do so, and in compliance with federal and state equal access and PIC-change requirements.
- c) Sprint shall require that each telemarketing representative (including supervisors and managers) review and sign a document in which the representative attests that he or she has submitted and will submit sales orders in full compliance with federal and state PIC-change rules and regulations currently in effect, and that he or she will use any computer code or password issued to him or her to access Sprint systems only for the purposes for which it is intended. At a minimum, these documents must be signed during the new hire process, whenever there is a change in the Sprint ethics policies and procedures, and at the beginning of each calendar year.
- d) Upon entering into any telemarketing contract, and within 30 days of the effective date of this Consent Decree for existing contracts, Sprint shall require its telemarketing agents to sign an agreement with Sprint specifying that any of the telemarketing agent's employees found to have engaged in practices that violate the effective federal PIC-change rules and orders shall be subject to immediate termination, and that any pattern of such practices by the

telemarketing agent shall subject the telemarketing agent to immediate termination of its relationship with Sprint. Sprint will not rehire any employee or agent who has been terminated by Sprint or its telemarketing agents for violating the Federal PIC-change rules and orders.

- e) Sprint shall provide to its telemarketing agents a written description of the business functions the agents may legitimately perform using the computer access codes provided by Sprint to the agents.
- f) Sprint shall observe the telemarketing activity of its agents through on-site visits and/or telephonic monitoring to ensure that the telemarketing agents are operating in compliance with the Commission's PIC-change rules. The telephonic monitoring shall take place weekly, with the calls to be monitored on a random basis. Should Sprint receive information indicating that a particular telemarketing agent has engaged in practices that may violate the Commission's PIC-change rules, Sprint shall monitor the calls of that agent for a period of time sufficient to determine whether he or she is operating in compliance with the Commission's rules and orders. If Sprint discovers noncompliance, such agent shall be terminated in accordance with Sprint's written procedures described above.
- g) Sprint shall perform monthly audits of all telemarketing agent operations comparing orders forwarded by the telemarketing representatives to the verifier, and orders actually verified by the verifier. If this comparison reveals that any of the unverified orders were the result of an attempt to submit a PIC-change without proper consumer authorization, Sprint agrees to further audit the agent's telemarketing operations and implement necessary corrective measures, such as increasing the frequency of on-site and/or telephonic monitoring and providing a refresher course on PIC change policies and procedures to agent employees.
- h) Sprint shall continue any necessary corrective actions (as detailed in paragraph 12(a) above) with respect to any consumer affected by the unauthorized switches described in paragraphs 8-11 above.

27. To minimize the incentive of a telemarketing agent to submit fraudulent sales orders, Sprint agrees to compensate its agents who perform residential telemarketing on an hourly rather than a commission (*e.g.*, per-sale) basis.

28. Sprint agrees that it will restrict the number of "Executive Level" computer identification codes provided to its external agents to one per agent and will monitor all activity associated with such identification codes on a daily basis to protect against abuse and to ensure specifically that any codes created are for legitimate business needs.

29. While this Consent Decree is in effect, Sprint agrees to maintain and make available to the Bureau, on a quarterly basis and within 14 days of the receipt of any specific written request from the Bureau, business records demonstrating compliance with the terms and provisions of this Consent Decree.

30. In light of the covenants and representations in this Consent Decree, and in particular, in light of the fact that Sprint brought this matter voluntarily to the Bureau's attention and in express reliance thereon, the Bureau agrees to terminate its investigation into unauthorized conversions described above, without any finding of liability on the part of Sprint. The Bureau

further agrees that, in the absence of substantial additional and material facts, the Bureau shall not on its own motion institute against Sprint new proceedings of any kind relating to any allegation of unauthorized PIC changes that may have occurred as a result of the unlawful actions described above.

31. Nothing in this Consent Decree shall prevent the Commission from adjudicating complaints against Sprint for alleged misconduct regarding unauthorized PIC changes or for any other type of alleged misconduct regardless of when such misconduct took place, or from instituting new investigations or enforcement proceedings against Sprint in the event of alleged future misconduct. If such enforcement proceeding is initiated, Sprint's earlier conduct may be adduced, but not for the purpose of assessing monetary forfeitures.

32. The Parties agree that any provision of the Consent Decree that conflicts with any subsequent rule or order adopted by the Commission will be superseded by such Commission rule or order.

33. The Parties agree that this Consent Decree shall expire in three (3) years from the release date of the Order adopting this Consent Decree. Sprint shall issue a report to the Bureau within 60 days from the release date demonstrating compliance with the terms and provisions herein.

34. This Consent Decree may be signed in counterparts.

For the Enforcement Bureau,
Federal Communications Commission

For Sprint Communications
Company, LP

David H. Solomon
Chief

Leon M. Kestenbaum
Vice President, Federal
Regulatory Affairs

Date

Date